

**FY 2024-25**

# **Proposed Budget**



**City Administrative Officer**

**Matthew W. Szabo**

April 30, 2024

[cao.lacity.gov/budget](http://cao.lacity.gov/budget)

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# Budget Overview



# Budget Overview

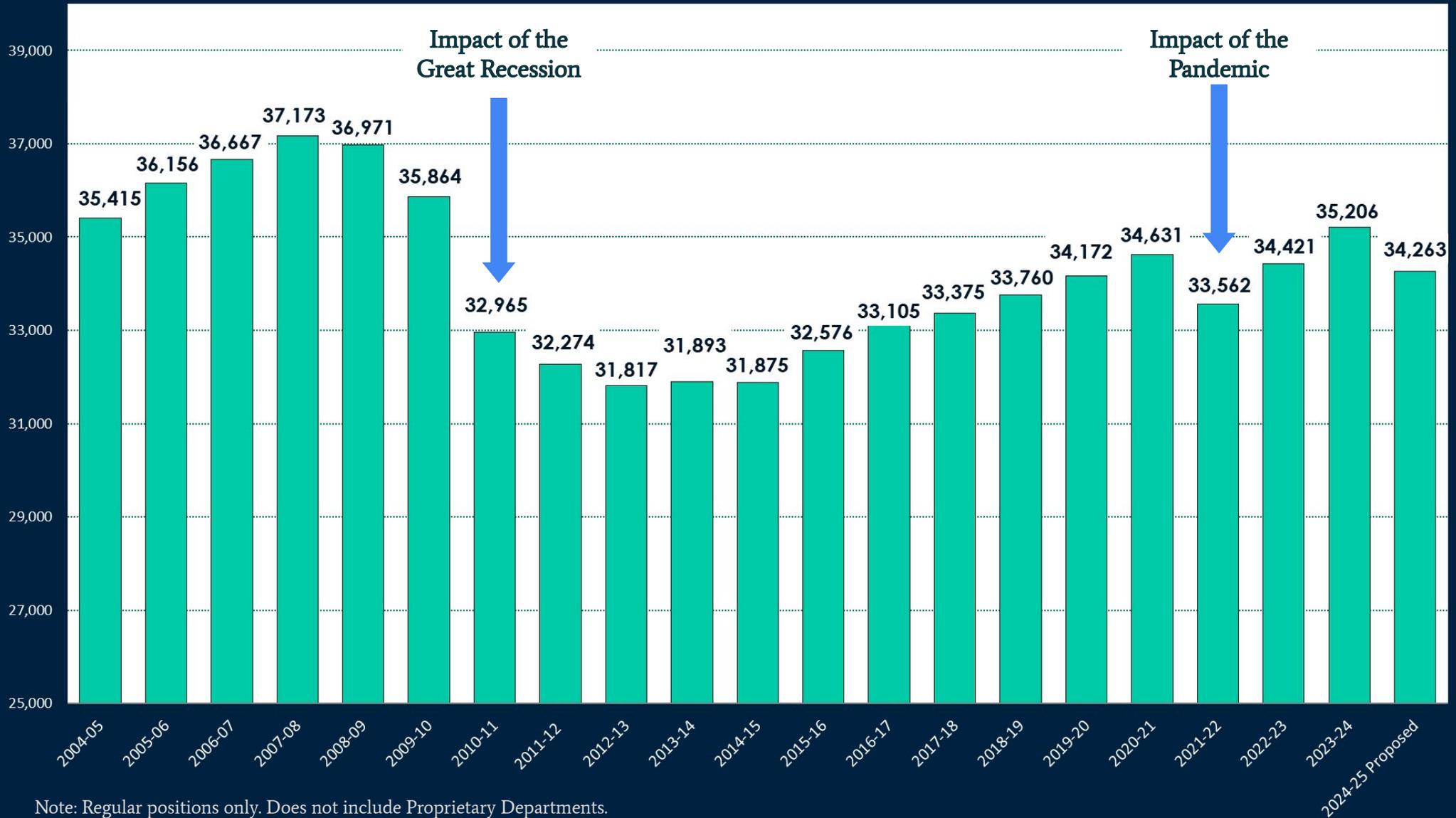
## FY 2024-25 Proposed Budget

	Budget (Millions)			Authorized Positions		
	Adopted 2023-24	Proposed 2024-25	% Change	Adopted 2023-24	Proposed 2024-25	% Change
<b>General Fund</b>	\$7,903.3	<b>\$7,986.3</b>	1.0%	25,608	24,576	-4.0%
<b>Special Funds</b>	\$5,242.2	<b>\$4,835.8</b>	-7.8%	13,166	12,471	-5.3%
<b>Total</b>	<b>\$13,145.5</b>	<b>\$12,822.1</b>	<b>-2.5%</b>	<b>38,774</b>	<b>37,047</b>	<b>-4.5%</b>



# Budget Overview

## Authorized City Staffing



Note: Regular positions only. Does not include Proprietary Departments.



# Budget Overview

## Major New Expenditure

Employee  
compensation  
increases

**+\$412M**  
All funds

**+\$340M**  
General Fund

## Significant Required Reductions

Positions  
Expense Accounts  
Capital Spending

**-\$408M**  
All funds

**-\$293M**  
General Fund



# Revenue Projections



# Revenue Projections

## Limited Growth in FY 24-25

**+1%**

**=**

**\$82M**

Total Increase in GF  
Revenue Compared to the  
23-24 Adopted Budget



# Revenue Projections

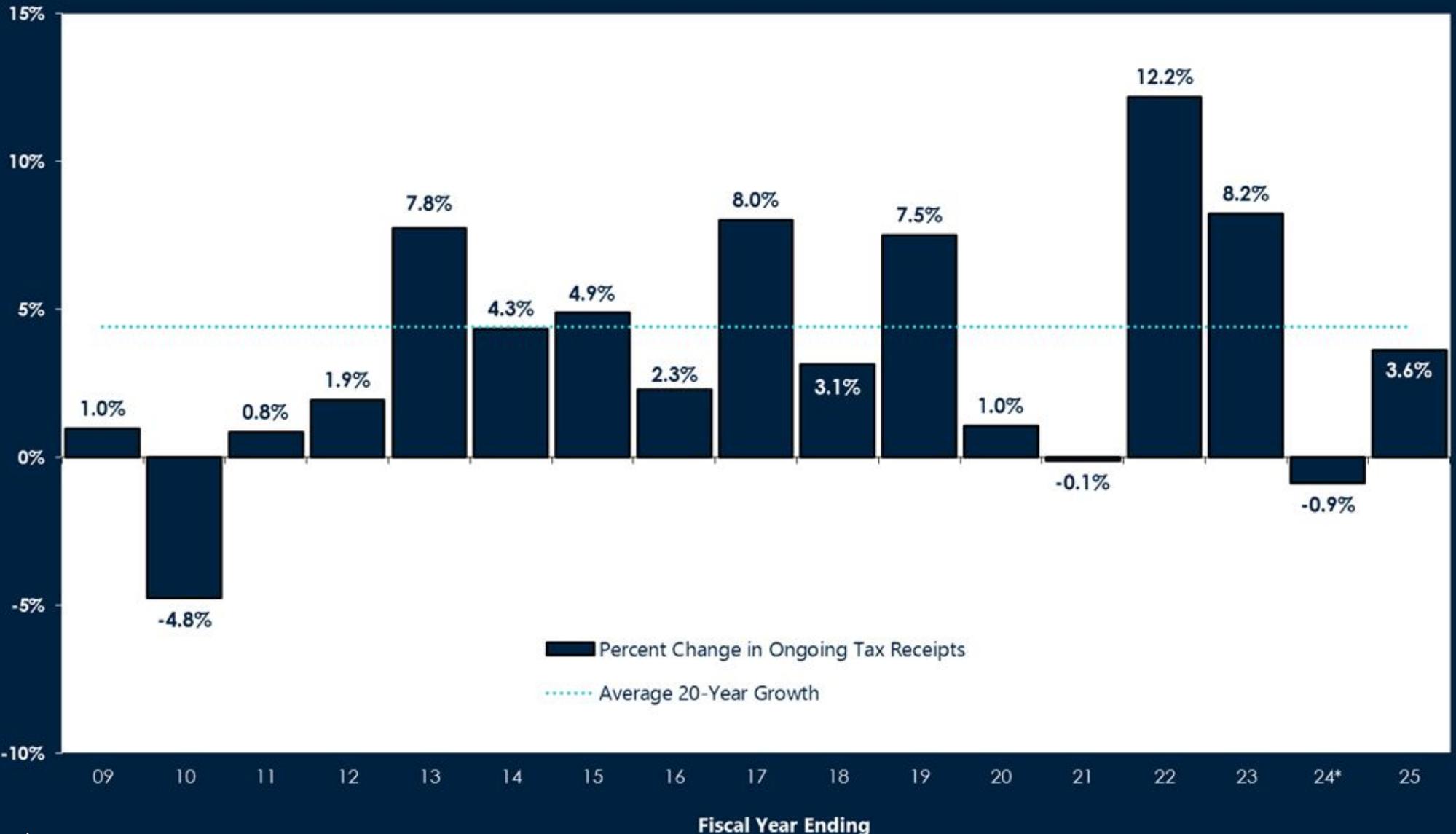
## Economy-Sensitive Revenue Sources

<i>Economy-Sensitive Revenue Sources</i>	Change from 2023-24 Adopted Budget		Change from 2023-24 Revised Budget	
	Amount (Millions)	Change (%)	Amount (Millions)	Change (%)
Property Tax	\$125M	+4.5%	\$135M	+4.9%
Business Tax	\$(10M)	-1.2%	\$16M	+2.0%
Sales Tax	\$(33M)	-4.6%	\$10M	+1.5%
Utility Users' Tax	\$22M	+3.4%	\$8.6M	+1.3%
Documentary Transfer Tax	\$(29.8M)	-15.0%	\$10.5M	+6.7%
Transient Occupancy Tax	\$(2.8M)	-0.8%	\$15.6M	+4.8%
Parking Occupancy Tax	\$5M	+4.2%	\$4.8M	+3.7%
<b><i>All General Fund Revenues</i></b>	<b>\$82.9M</b>	<b>+1%</b>	<b>\$262.7M</b>	<b>+3.4%</b>



# Revenue Projections

## Growth of Seven General Fund Taxes



\* Revised 2023-24 Budget





**Reserve Fund**



# City Reserves | Reserve Fund Status

July 1, 2023:

**\$648M**

**8.20%**



After Mid-Year FSR Actions:

**\$492M**

**6.22%**



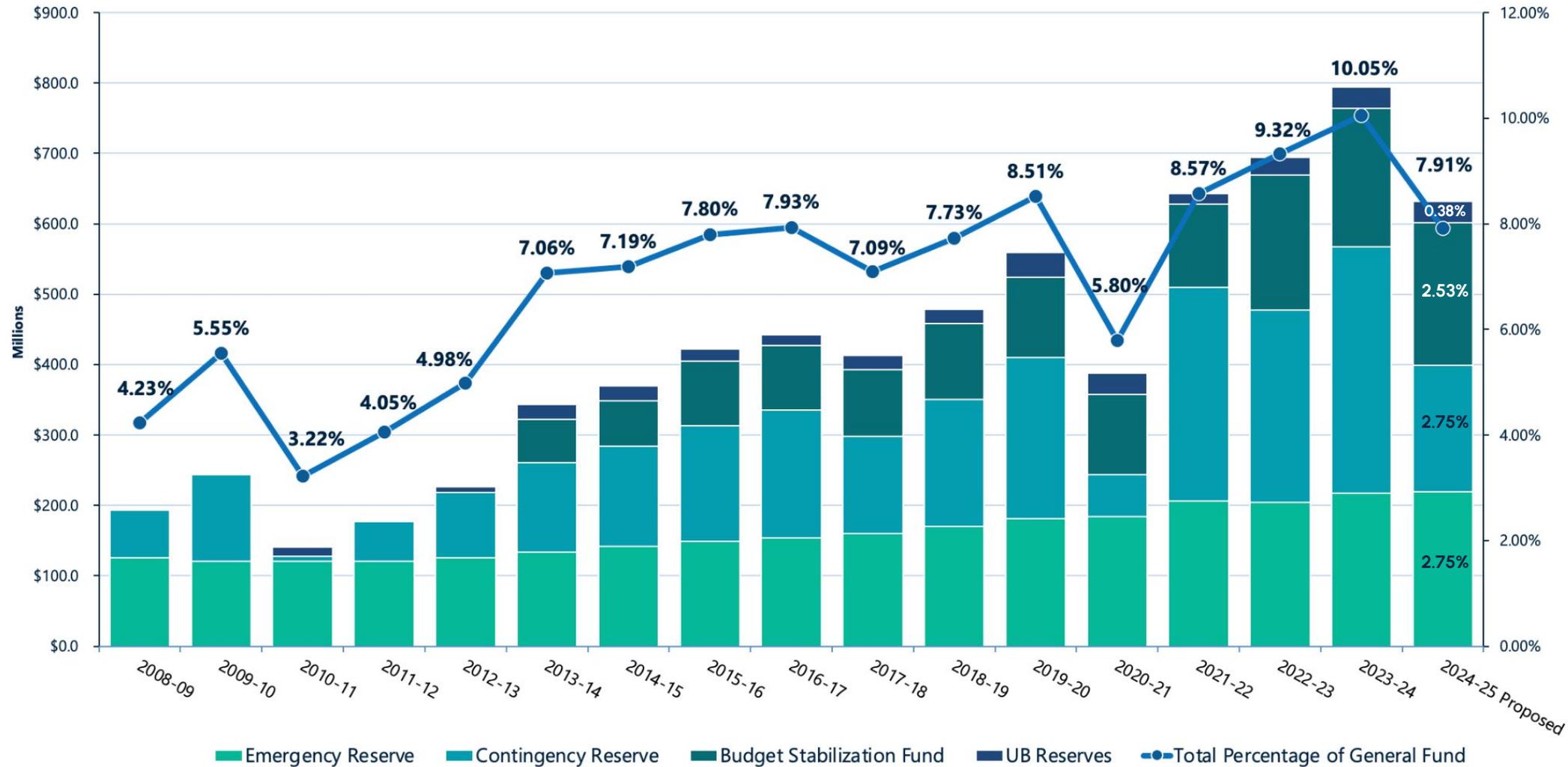
FY 24-25 Proposed Budget:

**\$399M**

**5.00%**

# City Reserves

## Changes in All Reserves (as a percentage of the GF)



Note: For all years, except FY 2024-25, the numbers reflect that of the Adopted Budgets.



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**Areas of  
Concern**



# Areas of Concern

## 1. Low Reserve Fund does not leave flexibility to address overspending

Key Areas of Overspending in FY 23-24



# Areas of Concern

## 2. The General Fund provides significant subsidy to special funds

**\$425  
Million**

**in GF subsidies to  
special funds**

Requires mitigation measures:

**Increase fees to  
keep up with  
inflation and  
achieve full cost  
recovery.**



# Financial Policies



# Financial Policies

## Compliance Status

<b>Reserve Fund</b> at least 5% of General Fund revenues	✓	Will start this FY at \$399M or 5.00%
<b>Budget Stabilization Fund</b>	✓	Because of lower-than-average projected revenue growth, this policy does not require a deposit. The Proposed Budget does not include a withdrawal from the Fund either.
<b>General Fund reserves goal</b> at 10% of GF revenues	✗	July 1 balance of \$632 million, or 7.9%
<b>Capital &amp; tech. investment</b> at 1.5% of GF revenues	✗	The Proposed Budget invests 0.94% of the General Fund revenues in this category, and thus is not in compliance.
<b>All one-time revenues used for one-time expenditures</b>	✓	The one-time expenditures exceed one-time-revenue by \$37.15M.
<b>Debt service</b> as percent of general receipts: No more than 6% for non-voter-approved, and 15% for non-voter-approved and voter-approved combined	✓	<ul style="list-style-type: none"> <li>• 2.66% for non voter-approved</li> <li>• 4.05% for non voter-approved and voter-approved</li> </ul>
<b>Achieve structural balance</b>	✗	The Outlook only projects structural balance in the fourth and final year of the period. Expenditures are projected to be higher than revenues in 2025-26 (by \$56 million), 2026-27 (by \$194 million), and 2027-28 (by \$72 million) before revenues exceed expenditures in 2028-29 (by \$164 million).



# Financial Policies

## General Fund Reserves

### Cumulative General Fund Reserves

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Reserve Fund, BSF,  
and the UB for  
mid-year  
adjustments will  
equal **10% of General  
Fund revenue.**



The Proposed  
2024-25 Budget  
falls short of this  
goal with a July 1  
balance of **7.9%**.

# Financial Policies

## Capital and Technology Improvements

### Capital and Technology Improvements

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Minimum of 1.50% of General Fund revenue to be used for capital and technology improvements and projects.

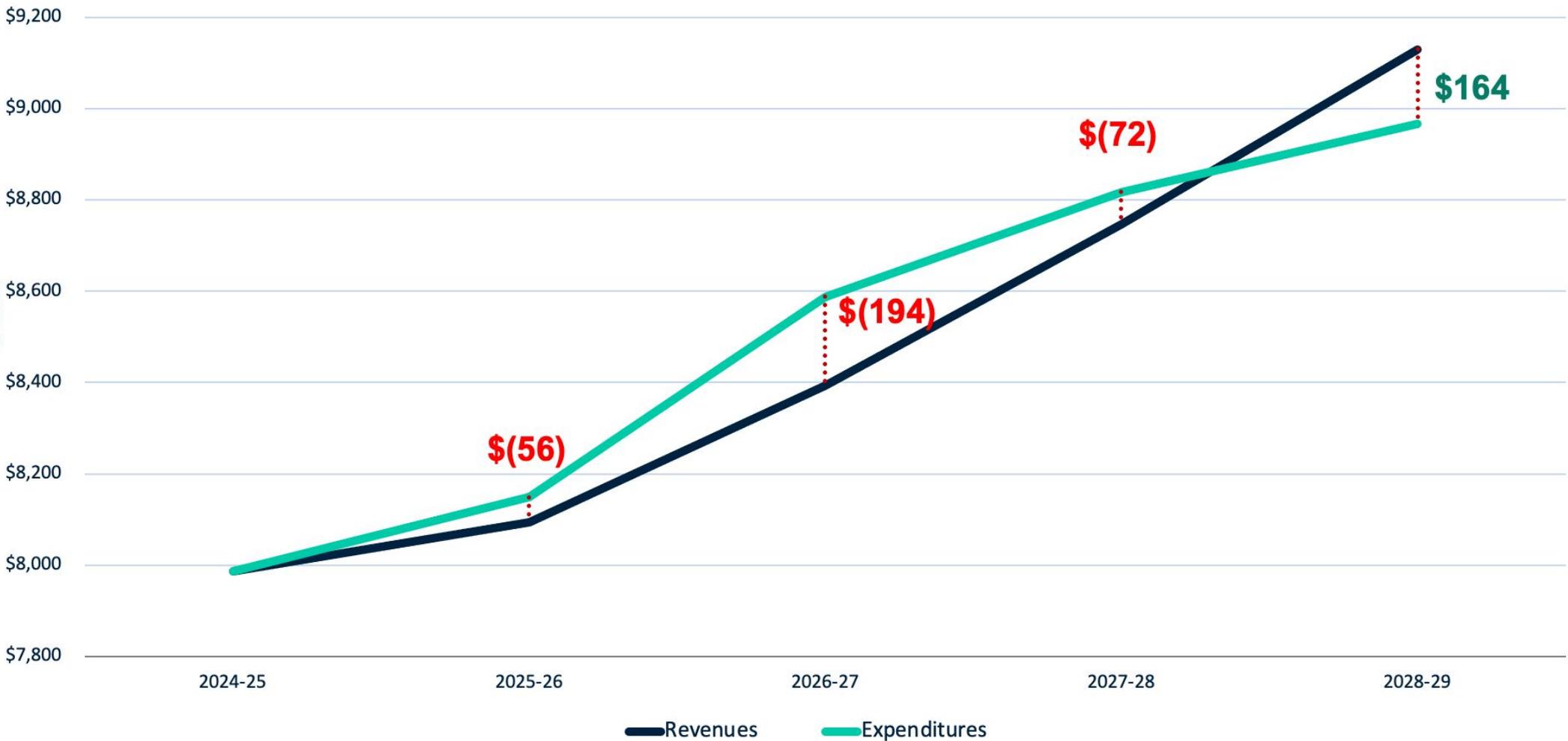


The Proposed 2024-25 Budget falls short of this goal by investing **0.94%** (\$75M).

# Financial Policies

## Structural Balance

Four-Year Outlook



In Millions





# Fiscal Reality



# Fiscal Reality Challenges

Does not achieve structural  
balance until FY 28–29

Fails to comply with the  
capital investment policy

Falls short of 10% reserve goal



# Fiscal Reality

## Proposed Position Eliminations

**2,139**

Positions  
Eliminated

**\$178**  
**million**  
in Savings  
(General Fund & Special Fund )



# Fiscal Reality

## Employee Compensation Increases

Increased Cost of

**\$412**  
**Million**

Across All Funds

Increased Cost of

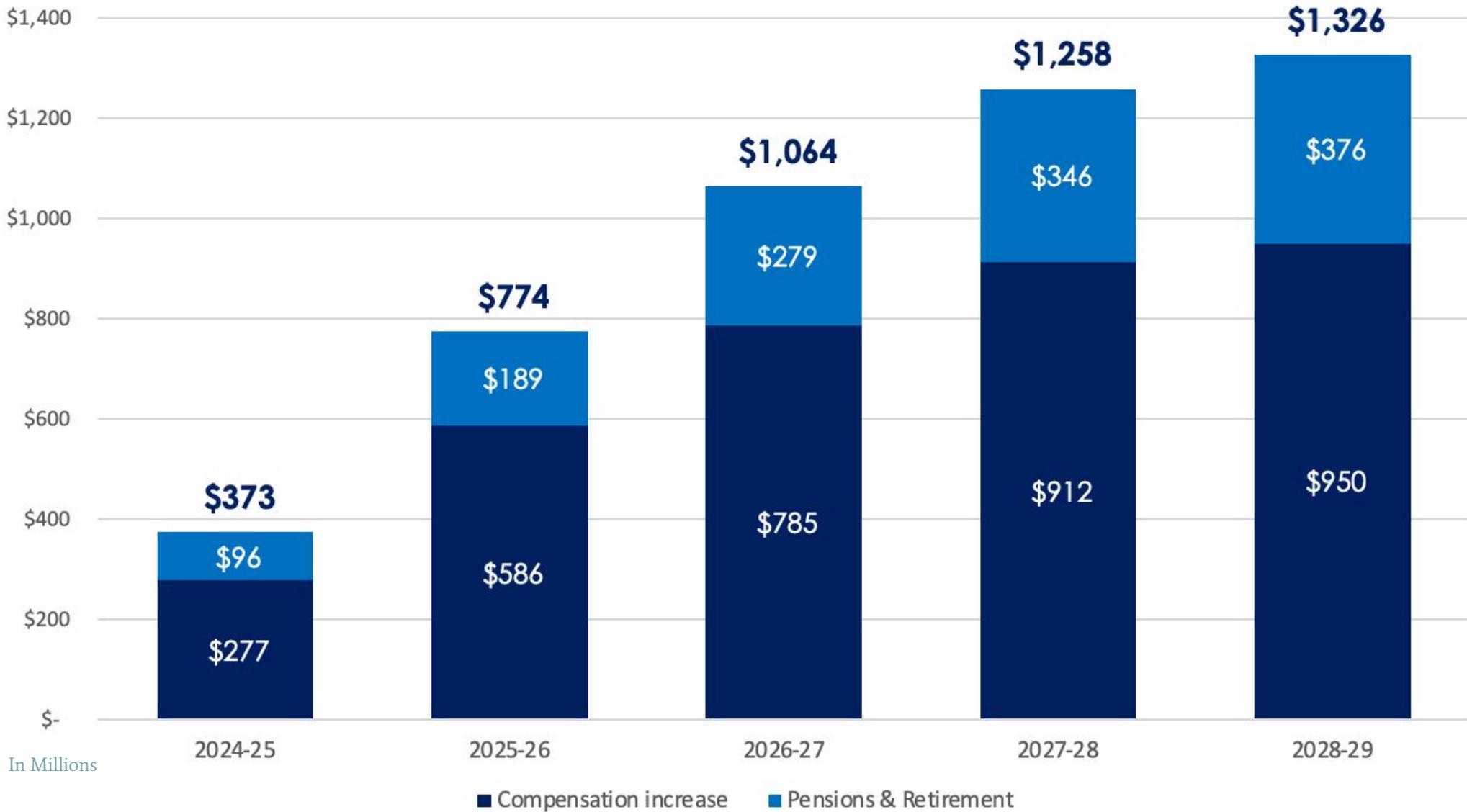
**\$340**  
**Million**

General Fund



# Fiscal Reality

## Employee Compensation Increases

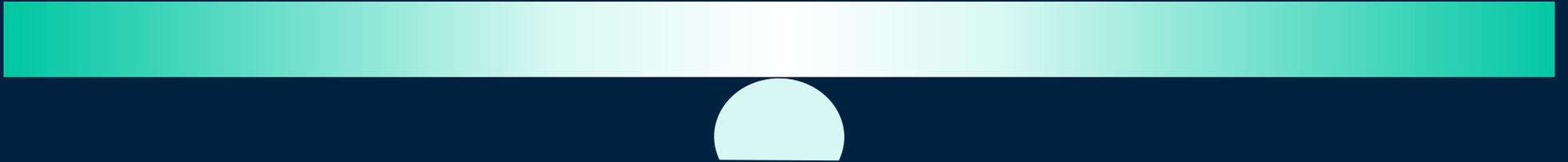


# Fiscal Reality

## Binary Choice

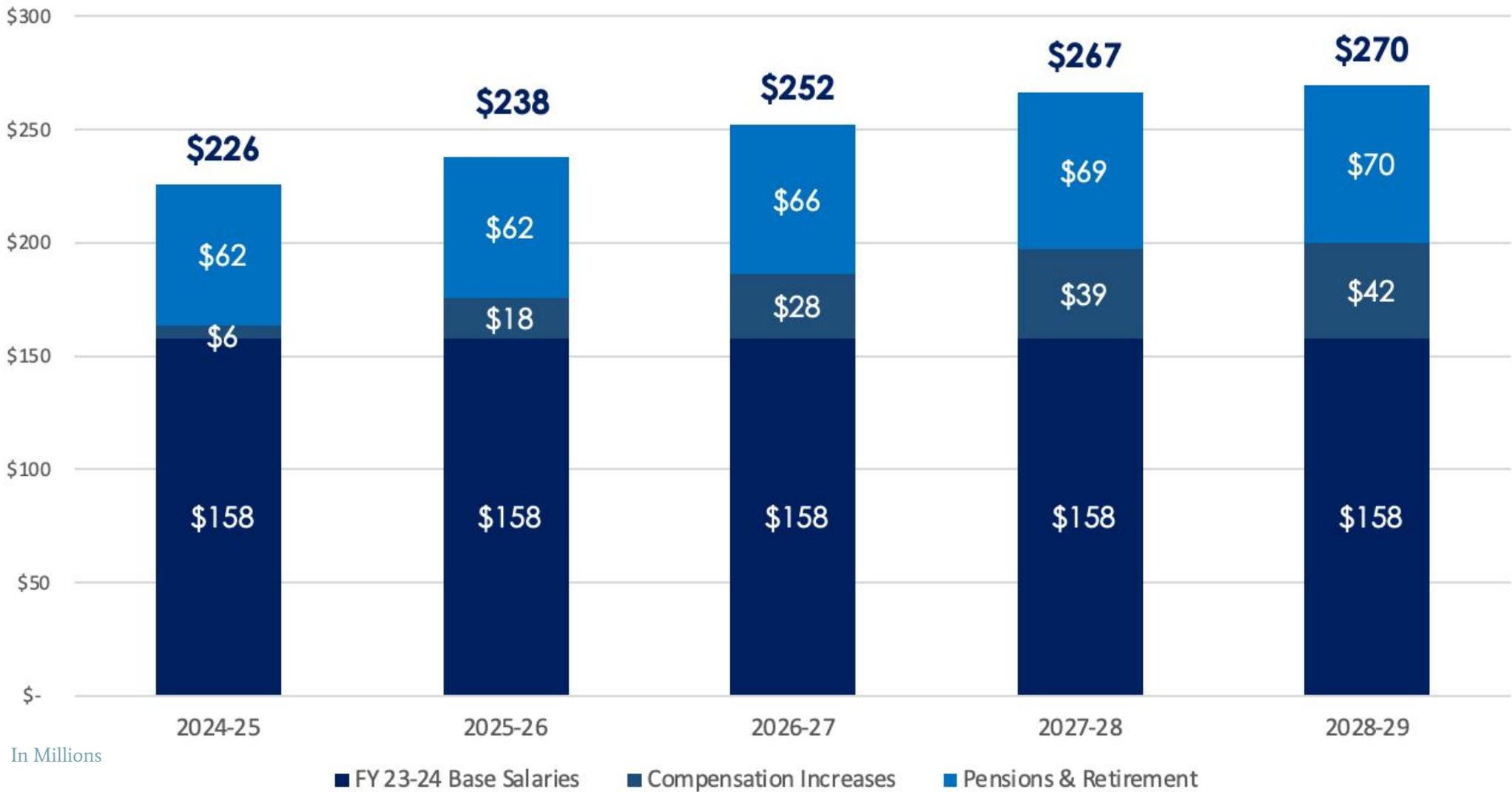
Pay fewer  
employees  
more

Pay more  
employees  
less



# Fiscal Reality

## Savings from Proposed Reductions



In Millions

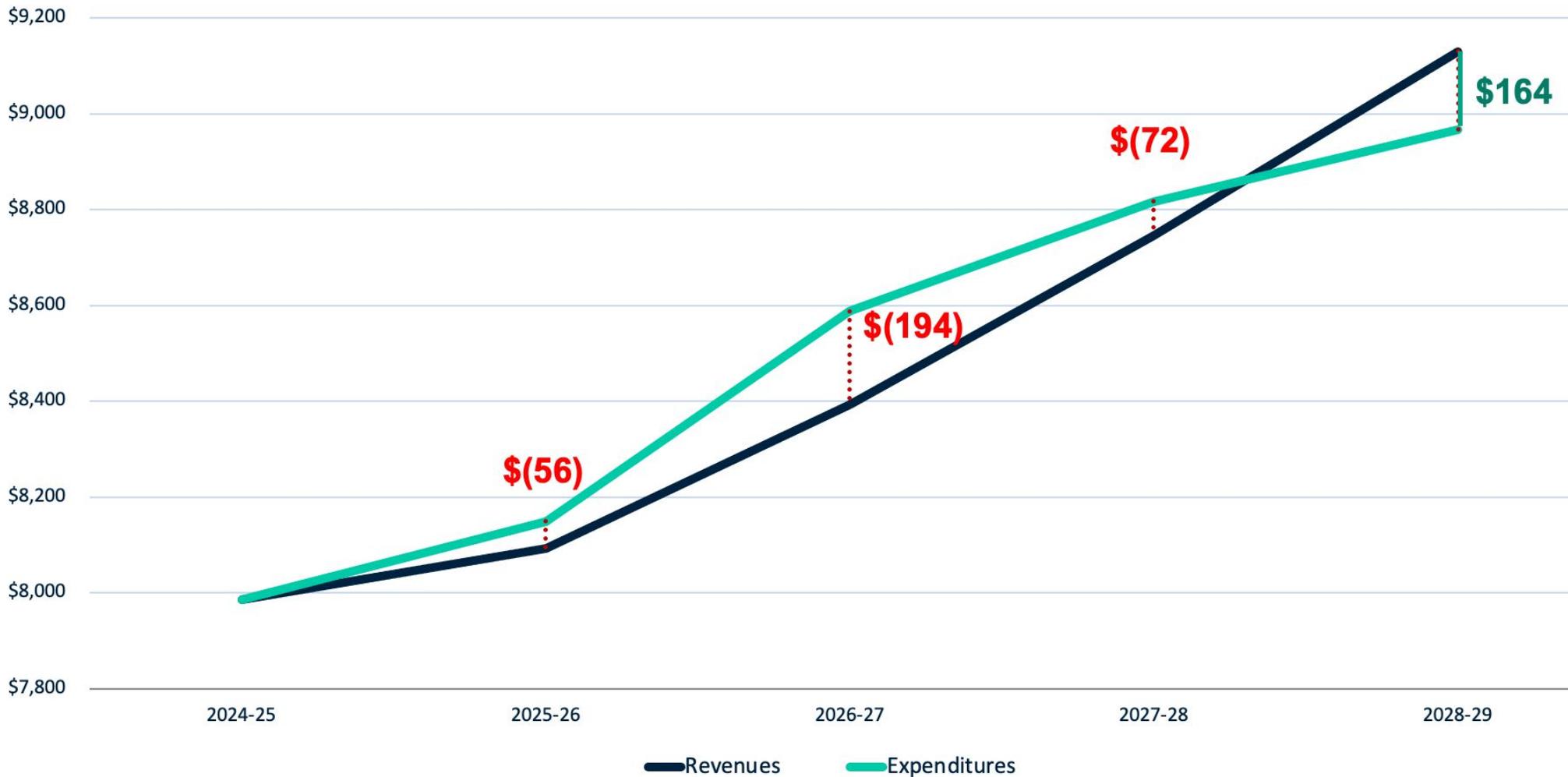
■ FY 23-24 Base Salaries   ■ Compensation Increases   ■ Pensions & Retirement



# Fiscal Reality

## Structural Balance

Four-Year Outlook

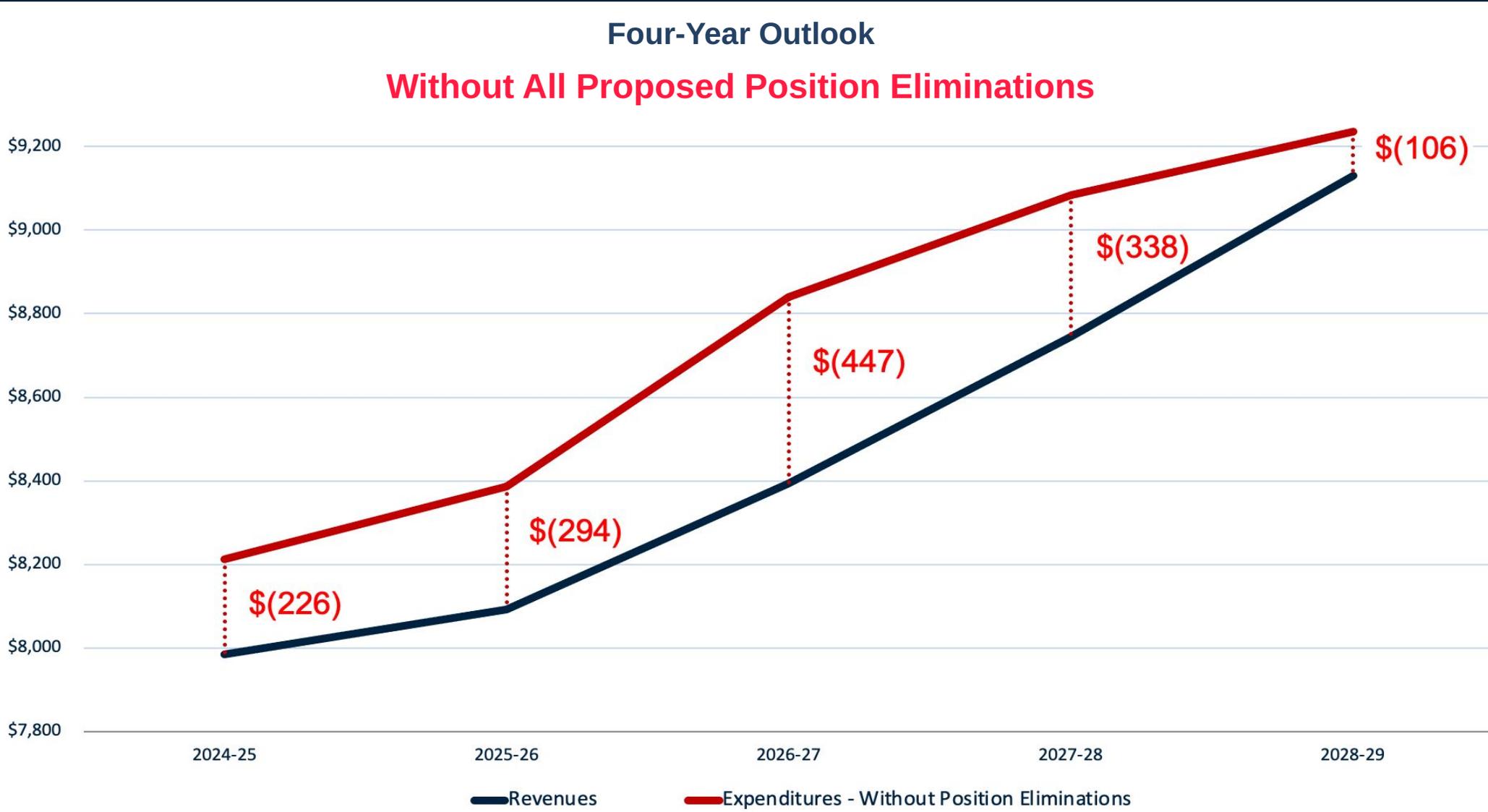


In Millions



# Fiscal Reality

## Importance of Proposed Position Eliminations



In Millions





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